

Message Text

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PAGE 01 SINGAP 01097 01 OF 02 080845Z

17

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 AGR-10 /108 W

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R 080530Z MAR 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 4746

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

AMCONGEN HONG KONG

UNCLAS SECTION 1 OF 2 SINGAPORE 1097

HONG KONG FOR TREASURY REP.

E.O. 11652: N/A

TAGS: EGEN EFIN ASEAN SN

SINGAPORE: FINANCE MINISTER'S ANNUAL BUDGET SPEECH

REF (A) SINGAPORE 1012 (NOTAL) (B) SINGAPORE 48 (NOTAL)

SUMMARY. FINANCE MINISTER HON, IN ANNUAL BUDGET SPEECH TO PARLIAMENT ON MARCH 1, ANNOUNCED A NUMBER OF TAX CONCESSIONS AIMED AT FURTHER PROMOTING SINGAPORE AS A FINANCIAL CENTER. AN OFFSETTING MINOR TAX INCREASE ON CIGARETTES AND LEAF TOBACCO WAS NOT SUFFICIENT TO DAMPEN BUSINESS COMMUNITY'S GENERALLY FAVORABLE RECEPTION TO PRESENTATION.

IN DOCUMENT ACCOMPANYING BUDGET SPEECH, GOS NOTED REAL GDP GROWTH AND INFLATION RATES OF 4.1 AND 3 PERCENT, RESPECTIVELY, IN 1975. ECONOMY IS EXPECTED TO REVIVE FURTHER IN 1976

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PROVIDED WORLD TRADE VOLUME AND ECONOMIES OF INDUSTRIALIZED

COUNTRIES EXPAND AS PREDICTED. HON SAID GOS WOULD CONTINUE ITS POLICIES DESIGNED TO STIMULATE ECONOMY WITHOUT REKINDLING INFLATION. BUDGET ESTIMATES SHOW INCREASED ALLOCATIONS FOR BOTH RECURRENT AND DEVELOPMENT EXPENDITURES. REVENUES ARE EXPECTED TO INCREASE MORE SLOWLY THAN PREVIOUSLY. HON CAUTIONED THAT WAGES COULD HENCEFORTH RISE ONLY IN TANDEM WITH PRODUCTIVITY.

HON MADE CAUTIOUS YET POSITIVE STATEMENT ON ASEAN ECONOMIC COOPERATION, INDICATING GOS WILL WISH TO MAINTAIN MOMENTUM GENERATED IN BALI BY MOVING FROM GENERALITIES TO SPECIFICS AT FORTHCOMING ASEAN FINANCE MINISTERS' MEETING IN KUALA LUMPUR- END SUMMARY.

1. TAX CONCESSIONS-

FINANCE MINISTER HON SUI SEN MADE HIS ANNUAL BUDGET SPEECH TO PARLIAMENT ON MARCH 1. BUSINESS AND FINANCIAL COMMUNITY WAS PLEASED WITH HON'S ANNOUNCEMENT OF A NUMBER OF TAX CONCESSIONS AIMED AT FURTHER DEVELOPING SINGAPORE AS FINANCIAL CENTER AND PROMOTING ASIAN DOLLAR MARKET - (A) FEES, INTEREST OR COMMISSIONS RECEIVED BY ASIAN CURRENCY UNITS FOR ADVISING, CONFIRMING OR REFINANCING OFFSHORE LETTERS OF CREDIT WILL BE TAXED AT REDUCED RATE OF 10 PERCENT. (B) NON-RESIDENT DEPOSITS WITH ASIAN CURRENCY UNITS AND APPROVED ASIAN DOLLAR BONDS, HELD BY NON-RESIDENTS, WILL BE EXEMPT FROM SINGAPORE ESTATE WITH EFFECT FROM JANUARY 1, 1976. (C) SINGAPORE GOVERNMENT TAX-FREE BONDS, HELD BY NON-RESIDENTS, WILL ALSO BE EXEMPT FROM SINGAPORE ESTATE DUTY FROM JANUARY 1, 1976.

2. HIGHER TAXES- ONLY ITEM IN SPEECH WITH IMMEDIATE EFFECT ON MAN IN STREET WAS INCREASE IN IMPORT AND EXCISE DUTIES ON CIGARETTES AND LEAF TOBACCO. HON SAID THAT A NUMBER OF TAX PROPOSALS TO MEET THE INCREASED REVENUE NEEDS OF THE GOVERNMENT HAD BEEN CONSIDERED.

BUT IT WAS DECIDED CONSUMER PURCHASING POWER SHOULD NOT BE REDUCED AT THIS TIME. AS RESULT, ONLY ONE SMALL TAX INCREASE AMOUNTING TO S\$10 MILLION WAS PROPOSED. IN SELECTING HIGHER DUTIES AIMED AT SMOKERS, HE SAID, "THE DUTY INCREASE ON A NON-ESSENTIAL, INDEED POISONOUS AND ANTI-SOCIAL, ITEM LIKE TOBACCO WILL NOT AFFECT COST OF LIVING OF SENSIBLE PEOPLE." COMMENT: PUBLIC REACTION TO THIS MEASURE HAS BEEN UNCLASSIFIED

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MILD. ESPECIALLY COMPARED TO OUTCRY WHICH RESULTED FROM IMPOSITION OF HIGHER ROAD AND CAR REGISTRATION TAXES AT BEGINNING OF YEAR (REFTEL B). NO NEW TAXES WERE ANNOUNCED. END COMMENT.

3. ECONOMIC PERFORMANCE IN 1975- IN CONJUNCTION WITH HIS BUDGET SPEECH, HON SUBMITTED TO PARLIAMENT AN "ECONOMIC SURVEY OF SINGAPORE: 1975." SURVEY DESCRIBED A FAIRLY GOOD

ECONOMIC PERFORMANCE FOR SINGAPORE IN 1975 CONSIDERING
WORLDWIDE RECESSION. REAL GDP GROWTH WAS 4.1 PERCENT,
CONSUMER PRICE INDEX ROSE BY ONLY 3 PERCENT, SINGAPORE'S
BALANCE OF PAYMENTS WAS IN SURPLUS BY S\$972 MILLION
(US\$1- S\$2.45), AND UNEMPLOYMENT AT END OF YEAR WAS ABOUT 4.5
PERCENT.
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UNCLAS SECTION 2 OF 2 SINGAPORE 1097

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4. ECONOMIC PROSPECTS FOR 1976- HON SAID THAT PROSPECTS
FOR 1976 WERE FAVORABLY ASSUMING VOLUME OF WORLD TRADE AND
ECONOMIES OF MAJOR INDUSTRIALIZED COUNTRIES EXPENDED AS

PREDICTED. HOWEVER, HE CAUTIONED THAT RETURN TO ERA OF RAPID EXPANSION CANNOT BE EXPECTED IN 1976. FURTHERMORE, NOT ALL INDUSTRIES WILL BENEFIT EQUALLY FROM ECONOMIC REVIVAL. PETROLEUM REFINING MAY CONTINUE TO SUFFER FROM LACK OF DEMAND FOR ITS PRODUCTS (FROM JAPAN, HONG KONG, AND VIETNAM), AND SHIPBUILDING WILL BE AFFECTED BY GLUT IN TANKERS AND LARGER SHIPS AND STIFFER COMPETITION FROM SHIPBUILDERS.

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5. GOVERNMENT POLICIES - HON SAID GOS'S ECONOMIC AND FINANCIAL POLICIES IN 1976 WILL BE UNEXCITING BLEND OF TRIED AND TESTED MEASURES THAT WILL ATTEMPT TO STIMULATE THE

ECONOMY WITHOUT REKINDLING INFLATION. GOS ROLE WILL BE TO FACILITATE THE ACTIVITIES OF SINGAPORE'S TRADERS AND MANUFACTURERS, WHILE ENCOURAGING GREATER COMPETITION AMONG FINANCIAL INSTITUTIONS. AFTER SEVERAL YEARS OF SHORTAGES, PRICE INCREASES, UNSTABLE EXCHANGE RATES, AND STRONG GOVERNMENTAL MEASURES BROUGHT ON BY OIL CRISIS, THIS YEAR WILL BE "PERIOD OF CONSOLIDATION, FOR STEADY, UNFLAGGING, IF SLOWER GROWTH."

6. BUDGET ESTIMATES- HON'S PRESENTATION OF BUDGET ESTIMATES FOR FY 76 (APRIL 1, 1976- MARCH 30, 1977) REVEALED INCREASED ALLOCATIONS FOR BOTH RECURRENT AND DEVELOPMENT EXPENDITURES. REVENUES ARE EXPECTED TO INCREASE BUT AT SLOWER RATE THAN IN PREVIOUS YEARS. (ANALYSIS OF THE BUDGET ESTIMATES WILL BE SUBMITTED BY AIRGRAM WHEN COMPLETE ESTIMATES ARE AVAILABLE.) HON PROPOSED INCREASED EFFORTS IN TERMS OF INDUSTRIAL, TRADE AND TOURIST DEVELOPMENT PROGRAMS AND SAID THAT MAJOR EMPHASIS ON PUBLIC SECTOR CONSTRUCTION WILL CONTINUE. HE ALSO SAID THAT INDUSTRIAL TRAINING MUST BE EXPANDED SINCE FINANCE MINISTRY HAS ESTIMATED THAT, FOR ECONOMIC GROWTH RATES OF 7-10 PERCENT IN 1976 AND 10-13 PERCENT PER YEAR IN 1977-80, SINGAPORE NEEDS AVERAGE ANNUAL ADDITION OF 12,900 SKILLED AND PROFESSIONAL PERSONNEL.

7. ASEAN ECONOMIC COOPERATION- HON ENUMERATED AGREEMENTS IN ECONOMIC SPHERE ACHIEVED AT BANSI, CALLING THAM A SKELETAL FRAMEWORK, WHICH WILL NEED TO BE FLESHED OUT OVER TIME WITH SUBSTANCE OF ASEAN PROJECTS AND OTHER ECONOMIC MEASURES. HE ASSERTED THAT MEASURES TO IMPLEMENT AGREEMENTS WILL INCREASE ASEAN'S TOTAL BARGAINING STRENGTH VIS-A- VIS THE INDUSTRIALIZED COUNTRIES. HON STATED THAT THE GOS "STANDS READY TO CONCEDE AS MUCH AS IT GETS FROM THE FIRST SET OF MEASURES. WE CANNOT AFFORD TO LOSE THE MOMENTUM GENERATED AT BALI THROUGH LACK OF VISION." COMMENT: WHILE HON'S STATEMENT IMPLIED THAT GOS IS IMPATIENT THAT TANGIBLE PROGRESS SHOULD BE MADE IN KUALA LUMPUR, IT WAS ALSO CONCILIATORY, INDICATING THAT GOS WILL PROBABLY NOT INSIST ON ACHIEVING ITS MAXIMUM OBJECTIVES. SEVERAL MFA OFFICIALS HAVE

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NOW TOLD US THAT KUALA LUMPUR MEETING "CRUCIAL" TO SUCCESS OF
ASEAN ECONOMIC COOPERATION EFFORTS. END COMMENT.

8. LABOR POLICY- FINANCE MINISTER SAID THAT WAGE INCREASES

IN 1976 WILL BE SMALLER AND SHOULD BE TIED TO GAINS IN
PRODUCTIVITY IN ORDER TO MAINTAIN COMPETITIVENESS OF SINGAPORE'S
EXPORTS. (COMMENT: THIS UNDERLINES STATEMENT MADE FEW DAYS
EARLIER BY NTUC SECRETARY GENERAL DEVAN NAIR THAT WORKERS MAY
BE IN FOR SOME BELT TIGHTENING IN 1976 (REF A). HE ADDED THAT
PAST METHOD OF NEGOTIATING WAGE INCREASES ON TOP OF NATIONAL
WAGES COUNCIL (NWC) RECOMMENDATIONS MUST BE REVIEWED. TOO
MANY WAGE AGREEMENTS HAVE SOUGHT TO CIRCUMVENT NWC RECOMMENDATIONS
BY ADDITIONAL FRINGE BENEFITS. THEREFORE, THE NWC SHOULD CONSIDER
INCLUDING ALL WAGEINCREASES AND BENEFITS IN SINGLE ANNUAL
WAGE RECOMMENDATION.

8. COPY OF 1976 BUDGET STATEMENT AND ECONOMIC SURVEY OF
SINGAPORE 1975 BEING POUCHED TO EA/IMS.
HOLDRIDGE

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